

***NORTH DAKOTA
STOCKMEN'S ASSOCIATION***

AUDIT REPORT

December 31, 2021, and 2020

NORTH DAKOTA STOCKMEN'S ASSOCIATION

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NORTH DAKOTA STOCKMEN'S ASSOCIATION
Executive Committee and Board of Directors
December 31, 2021

Executive Committee

Jeff Schafer, President New Rockford	Dan Rorvig, Immediate Past President McVile
Jason Leiseth, Vice President Arnegard	Julie Ellingson, Executive Vice President St. Anthony

Living Past Presidents

Steve Brooks, Bowman	Dean Meyer, Dickinson
Roger Stuber, Bowman	Richard C. Tokach, St. Anthony
Jeff Dahl, Gackle	Gene Harris, Killdeer
Jason Zahn, Towner	Melvin Leland, Sidney, MT
Warren Zenker, Gackle	Mark Huseeth, McLeod
	Jason Schmidt, Medina

Board of Directors

District 1	District 3	District 5
Erika Kenner, Leeds	Craig Kemmet, Tappen	Calli Thorne, Watford City
Levi Rue, Sheyenne	Lowell Malard, Bismarck	Howdy Lawlar, Watford City
Cliff Sanders, Jr., Clifford	Tim Erbele, Streeter	Joe Schettler, Killdeer
Justin Maddock, Maddock	Carter Vander Wal, Pollock, SD	Pete Best, Watford City

District 2	District 4	District 6
Wade Dally, Montpelier	Casey Voigt, Beulah	Dennis Jacobson, Wildrose
Jeff Breker, Havana	Scott Katus, Watauga, SD	Kevin Hansen, Ryder
Brian McDonald, Leonard	Joel Opp, Richardton	Shane Anderson, Towner
Jared Higgins, Woodworth	Wayne Hepper, Fort Yates	Gary Martens, Ross

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Dakota Stockmen's Association
Bismarck, North Dakota

Opinion

We have audited the accompanying financial statements of the North Dakota Stockmen's Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Dakota Stockmen's Association as of December 31, 2021, and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, as well as generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Dakota Stockmen's Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota Stockmen's Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Stockmen's Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota Stockmen's Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of revenues and expenses by activity on pages 14 and 15 and the statements of functional expenses on pages 16 and 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2022, on our consideration of the North Dakota Stockmen's Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota Stockmen's Association's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
February 14, 2022

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 473,084	\$ 1,600,127
Accounts Receivable, Net	42,387	37,044
Income Taxes Receivable	-	3,072
Prepaid Expenses	15,434	12,583
Total Current Assets	<u>530,905</u>	<u>1,652,826</u>
Long-Term Investments	2,921,322	1,846,338
Fixed Assets	1,435,665	556,067
Less Accumulated Depreciation	(366,128)	(348,339)
Net Fixed Assets	<u>1,069,537</u>	<u>207,728</u>
Total Assets	<u>\$ 4,521,764</u>	<u>\$ 3,706,892</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 15,652	\$ 26,518
Payroll Taxes Payable	2,556	2,703
Unearned Income	8,620	11,338
Total Current Liabilities	<u>26,828</u>	<u>40,559</u>
Net Assets:		
Without Donor Restrictions:		
Designated - Estray	524,630	407,200
Undesignated	3,968,256	3,257,083
Total Without Donor Restrictions	<u>4,492,886</u>	<u>3,664,283</u>
With Donor Restrictions:		
Rewards	2,050	2,050
Total With Donor Restrictions	<u>2,050</u>	<u>2,050</u>
Total Net Assets	<u>4,494,936</u>	<u>3,666,333</u>
Total Liabilities and Net Assets	<u>\$ 4,521,764</u>	<u>\$ 3,706,892</u>

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statements of Activities
For the Years Ended December 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Revenues:		
Association	\$ 403,059	\$ 319,479
Brand Inspection	2,500,675	1,983,701
Brand Recording	87,741	486,438
Environmental	164,467	585,668
Magazine	308,974	250,603
Total Revenues	<u>3,464,916</u>	<u>3,625,889</u>
Expenses:		
Association	348,226	292,146
Brand Inspection	1,861,229	1,802,771
Brand Recording	139,059	149,048
Environmental	140,450	585,395
Magazine	260,538	228,369
Total Expenses	<u>2,749,502</u>	<u>3,057,729</u>
Excess of Revenues Over (Under) Expenses Before Depreciation Expense	715,414	568,160
Less Depreciation Expense	(54,027)	(57,023)
Gain (Loss) on Disposal of Assets	<u>-</u>	<u>6,982</u>
Excess of Revenues Over (Under) Expenses	661,387	518,119
Other Sources/(Uses):		
Estray:		
Estray Income	409,869	164,879
Estray Interest Income	3,832	10,785
Estray Expenses	(262,871)	(84,659)
Total Other Sources/(Uses)	<u>150,830</u>	<u>91,005</u>
Unrealized Gain/(Loss) on Investments	<u>16,386</u>	<u>25,483</u>
Increase in net assets without donor restrictions	828,603	634,607
Net Assets, Beginning of Year	<u>3,666,333</u>	<u>3,031,726</u>
Net Assets, End of Year	<u><u>\$ 4,494,936</u></u>	<u><u>\$ 3,666,333</u></u>

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in Net Assets	\$ 828,603	\$ 634,607
Adjustments to reconcile net change to net cash provided by operating activities:		
Depreciation	54,027	57,023
Unrealized (gain) loss on mutual funds	(16,386)	(25,483)
(Gain) Loss on disposal of assets	-	(6,982)
(Increase) decrease in net accounts receivable	(5,343)	11,705
(Increase) decrease in income taxes receivable	3,072	44
(Increase) decrease in prepaid expenses	(2,851)	(739)
Increase (decrease) in payables	(11,013)	(17,467)
Increase (decrease) in unearned income	(2,718)	(531)
Net cash provided (used) by operating activities	847,391	652,177
Cash flows from investing activities:		
Cash paid for the purchase of fixed assets	(915,836)	(85,569)
Cash received on disposal of assets	-	3,500
Cash received/(paid) for land escrow	-	50,000
Net investment in CDs	(1,043,087)	(324,245)
Fees paid on investments	5,626	4,776
Reinvested investment income	(21,137)	(13,310)
Net cash provided (used) by investing activities	(1,974,434)	(364,848)
Net increase (decrease) in cash and equivalents	(1,127,043)	287,329
Cash and equivalents, beginning of year	1,600,127	1,312,798
Cash and equivalents, end of year	\$ 473,084	\$ 1,600,127
Interest Expense	\$ -	\$ -
Unrelated Business Income Tax	\$ -	\$ -

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Dakota Stockmen's Association was incorporated to form an association for members in promotion of their common welfare, to ensure their rights as livestock owners and to inspect brands on all livestock sold in North Dakota under the century code. As authorized by the State Legislature, the Association also handles the brand recording for North Dakota, effective since August 1, 1993.

Basis of Presentation

The financial statements presented herein, represent the financial position and the results of operations of the North Dakota Stockmen's Association. Generally accepted accounting principles have been followed in the preparation of the financial statements. An accrual basis accounting system is maintained. Contribution revenues are recognized when received and revenues from exchange transactions are recognized when it has met its obligation for the revenue. Expenses are recognized when incurred.

Revenue Recognition

Inspection fees and brand renewal fees are recorded when received and recognized as revenue in the applicable period. These fees are non-refundable and thus are not deferred to future periods. Membership dues are recorded when received and are recognized as revenue during the applicable membership period. Membership dues collected prior to December 31 which relate to the next year are deferred until earned and are recorded as deferred revenue on the statement of financial position. Memberships may include both a contribution and a performance obligation by the Association. Contributions are recognized as revenue in the year in which they are received and are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions are accounted for as net assets with donor restrictions.

Net Asset Classifications

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require North Dakota Stockmen's Association to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. North Dakota Stockmen's Association currently has both net assets without donor restrictions and net assets with donor restrictions.

Cash Equivalents

The Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2021 and 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are composed of mutual funds and certificates of deposit and are carried at fair value.

Income Taxes

The North Dakota Stockmen's Association is exempt from federal income tax under section 501 (c) (5) of the Internal Revenue Code and by virtue thereof is also exempt from North Dakota income tax. The Association does have unrelated business income from their magazine advertising sales, which is required to be reported on Form 990-T and applicable tax to be paid.

The Association has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. The implementation of this standard had no impact on the financial statements. As of the date of adoption and December 31, 2021, the unrecognized tax benefit accrual was zero.

The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The federal income tax returns of the Association are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

The Association maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At December 31, 2021, Dakota Community Bank had \$88,391 and First International Bank and Trust had \$1,000 of deposits that were not covered by FDIC insurance. At December 31, 2020 all funds were adequately covered by FDIC insurance.

The Association also maintains an account including mutual funds and certificates of deposits with a brokerage firm. This firm participates in the Securities Investor Protection Corporation, which provides protection up to \$500,000 (with a limit of \$250,000 for cash) in the event of a brokerage firm liquidation. SIPC protection is not the same as FDIC protection because SIPC does not protect the value of any security. Investments are subject to fluctuations in market value. The certificates of deposit held in the brokerage account have FDIC coverage provided by the issuing banks.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Advertising Expense

Advertising costs are charged to expense when incurred. No direct-response advertising is used. Advertising and promotion expenses for the years ended December 31, 2021, and 2020, were \$22,870 and \$25,289, respectively.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2021 and 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates by management.

Significant Estimates

Estimates that are particularly susceptible to significant change include the valuation of investment in mutual funds. The Association's various investment instruments are exposed to a variety of risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investment will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Association will ultimately realize could differ materially.

Subsequent Events

The North Dakota Stockmen's Association has evaluated subsequent events through February 14, 2022, the date which the financial statements were available to be issued.

The North Dakota Stockmen's Association purchased a lot at 4520 Ottawa Street in September 2021. \$50,000 in earnest money had previously been paid. The North Dakota Stockmen's Association plans to begin work with the North Dakota Stockmen's Foundation on a building project in 2022.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 DEPOSITS

Deposits are maintained with financial institutions as authorized by the board of directors. Receipts for brand fees and recording fees are public money and therefore must be remitted to the North Dakota State Treasury and appropriated back to the North Dakota Stockmen's Association. This procedure for brand fees and recording fees has been followed as required by North Dakota statutes.

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 3 AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 473,084	\$ 1,600,127
Accounts Receivable, Net	42,387	37,044
Investments	2,921,322	1,846,338
Total financial assets	3,436,793	3,483,509
Less amounts not available to be used within one year:		
Designated - Estray	524,630	407,200
Net assets with donor restrictions	2,050	2,050
Financial assets available to meet general expenditures over the next twelve months	\$ 2,910,113	\$ 3,074,259

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2021, includes \$10,362 due from the ND Department of Environmental Quality. At December 31, 2020, accounts receivable includes \$19,961 due from the ND Department of Environmental Quality. The remaining accounts receivable in both years are due mostly from magazine ads and are all considered collectible. An allowance for uncollectible accounts has been provided in the amount of \$149 as of December 31, 2021, and \$149 as of December 31, 2020.

NOTE 5 PREPAID EXPENSES

Prepaid expenses include the unused premiums paid for worker's compensation and building, auto and liability insurance.

NOTE 6 FAIR VALUE MEASUREMENT

Fair value measurement presentation follows the provisions of the FASB Accounting Standards Codification Topic ASC 820. The provision prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. Observable inputs include market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 6 FAIR VALUE MEASUREMENT CONTINUED

Investments at December 31, 2021, and 2020, are summarized as follows:

	2021		2020	
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Unrestricted:				
Certificates of Deposit	\$ 2,470,000	\$ 2,470,000	\$ 1,468,008	\$ 1,468,008
Edward Jones Mutual Funds	451,322	451,322	378,330	378,330
Total	<u>\$ 2,921,322</u>	<u>\$ 2,921,322</u>	<u>\$ 1,846,338</u>	<u>\$ 1,846,338</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2021, and 2020:

	2021	2020
Interest and dividends	\$ 32,703	\$ 37,805
Estray interest	3,832	10,785
Unrealized gain (loss)	16,386	25,483
Total investment return	<u>\$ 52,921</u>	<u>\$ 74,073</u>

NOTE 7 FIXED ASSETS

All property is carried at cost and consists of the following at December 31, 2021:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 919,356	\$ -	\$ 919,356
Building	154,329	144,077	10,252
Furniture & Equipment	161,584	140,343	21,241
Vehicles	200,396	81,708	118,688
Total	<u>\$ 1,435,665</u>	<u>\$ 366,128</u>	<u>\$ 1,069,537</u>

Depreciation is calculated on the straight-line method over the estimated useful life of the asset. Useful lives are estimated as 50 years for the building, 5 to 10 years for furniture and equipment, and 5 years for vehicles.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2021 and 2020

NOTE 7 FIXED ASSETS CONTINUED

Depreciation expense for the years ended December 31, 2021, and 2020, was \$54,027 and \$57,023, respectively.

Changes in the fixed asset accounts are summarized as follows:

Fixed Assets, December 31, 2019	\$ 522,916
Purchases	92,569
Dispositions	<u>(59,418)</u>
Fixed Assets, December 31, 2020	556,067
Purchases	915,836
Dispositions	<u>(36,238)</u>
Fixed Assets, December 31, 2021	1,435,665
Less Accumulated Depreciation	<u>(366,128)</u>
Net Fixed Assets, December 31, 2021	<u><u>\$ 1,069,537</u></u>

NOTE 8 NET ASSETS

Without Donor Restrictions: Net assets without donor restrictions for the North Dakota Stockmen's Association include all general net assets as well as net assets that are designated by the board to be used for certain obligations but not specifically donor restricted. Board designated net assets of the Association include the following:

Designated-estray: It is the policy of the Association to separately account for funds received from sales of cattle, horses, and mules with undetermined ownership. Responsibilities and authorities relating to estrays are outlined in North Dakota Century Code 4.1-72 and 4.1-75. Money deposited from the sale of estrays is remitted to the North Dakota State Treasury. "Designated-estray" reflects the funds that must be available to pay livestock owners upon verification of their ownership.

With Donor Restrictions: "Rewards" reflects the funds that have been earmarked, from donor contributions and under the discretion of the board, to reward those who provide information leading to the arrest and conviction of livestock criminals.

NOTE 9 LINE OF CREDIT

The Association has a line of credit with Wells Fargo Bank. The credit line limit is \$100,000 and the interest rate was 5 percent. At December 31, 2021, and 2020, the line of credit balance was \$0 and \$0, respectively. There was \$0 of interest paid on the line of credit in 2021 and \$0 of interest paid in 2020.

In 2021 the Association took out another line of credit with Dakota Community Bank with a credit limit of \$300,000 and interest rate of 3.25 percent. This line of credit was not used during the year.

NOTE 10 RETIREMENT PLAN

Effective January 1, 1998, the Association adopted an employer-sponsored 401(k) plan. All full-time employees are eligible after one year of employment. The Association will match up to five percent of the employee's elected contribution. The plan is administered by Alerus Financial. The Association's expense for the plan for the years ending December 31, 2021, and 2020, was \$32,431 and \$32,721 respectively.

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 11 BRAND RECORDING

On August 1, 1993, the North Dakota Stockmen's Association assumed the authority for brand recording for the State of North Dakota. The 2003 legislature approved, changing the renewal period from ten years to five years after the 2005 renewal. Brand renewals took place beginning in July 2020 bringing in revenue of \$468,350 for the year ended December 31, 2020. Late brand renewals in 2021 brought in revenue of \$49,875 for the year ended December 31, 2021. Brand renewals will again take place during 2025.

NOTE 12 ANNUAL LEAVE

No liability has been recorded for accrued annual leave because employees are required to use their annual leave each year.

NOTE 13 INCOME TAXES

The Association pays unrelated business income tax on the net income generated by the magazine it publishes and distributes. For 2021 no estimates were made and in 2020 estimates of \$3,116 were paid during the year. At December 31, 2021 and 2020, the Association had no unrelated business income tax payable due to the state and IRS. Total unrelated business income tax expense for the years ending December 31, 2021, and 2020, was \$0 and \$44, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

Blaine Northrop is the chief brand inspector for the North Dakota Stockmen's Association. His son Destry Northrop is a part-time inspector at Dickinson and a local inspector. Joe Roshau is the inspector-in-charge at the Dickinson markets. His son, Allen Roshau, is also an inspector there. Sierra Ellingson is the daughter of Julie Ellingson, the Executive Vice President. Sierra is a part-time, temporary employee working on brand inspection record archival and association projects.

NOTE 15 FUTURE PRONOUNCEMENTS

ASU 2016-02, Leases (Topic 842)

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-01 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Organization for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Management has not yet determined what the effect this pronouncement will have on the Organization's financial statements.

With the exception of the new standard discussed above, we have not identified any new accounting pronouncements that have potential significance to the Organization's financial statements.

***SUPPLEMENTARY
INFORMATION***

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statement of Revenues and Expenses by Activity
For the Year Ended December 31, 2021

	Association	Brand Inspection	Brand Recording	Environmental	Magazine	Total
Revenues:						
Membership Dues	\$ 149,375	\$ -	\$ -	\$ -	\$ 23,227	\$ 172,602
Environmental Services - Administration	-	-	-	19,459	-	19,459
Environmental Services - BMP	-	-	-	126,082	-	126,082
Inspection Fees	-	2,210,986	-	-	-	2,210,986
Registered Feed Lots	-	8,420	-	-	-	8,420
Permanent Horse Permits	-	10,650	-	-	-	10,650
Other Fee Income	-	1,480	-	-	-	1,480
Advertising Income	-	-	-	-	241,983	241,983
Calendar	-	-	-	-	9,950	9,950
Directory	-	-	-	-	5,950	5,950
Convention	86,829	-	-	-	-	86,829
Spring Roundups	37,775	-	-	-	-	37,775
Ring Service	9,750	-	-	-	-	9,750
Special Projects	36,701	-	-	-	-	36,701
All Breeds Tour	17,050	-	-	-	-	17,050
Junior Beef Expo	13,163	-	-	-	-	13,163
Brand Renewal	-	-	49,875	-	-	49,875
New Brands	-	-	10,375	-	-	10,375
Transferred Brands	-	-	3,025	-	-	3,025
Brand Books	-	-	5,352	-	-	5,352
Other Income	10,723	4,503	254	-	2,132	17,612
PPP Loan Funds	14,764	259,951	17,771	18,926	25,732	337,144
Investment Income	26,929	4,685	1,089	-	-	32,703
Total Revenues	403,059	2,500,675	87,741	164,467	308,974	3,464,916
Expenses:						
Wages	63,047	1,328,486	79,618	71,879	105,085	1,648,115
Benefits	14,440	295,093	14,301	19,551	28,479	371,864
Total Wages & Benefits	77,487	1,623,579	93,919	91,430	133,564	2,019,979
Advertising & Promotion	13,126	4,805	573	4,366	-	22,870
All Breeds Tour	15,305	-	-	-	-	15,305
Audit	1,417	6,320	1,959	1,347	1,347	12,390
Awards	1,133	814	-	-	-	1,947
BMP & Engineering	-	-	-	25,324	-	25,324
Bank Fees	5,691	1,536	44	24	24	7,319
Board, Directors & Vice-President	2,428	1,127	260	260	260	4,335
Brand Board	-	1,236	137	-	-	1,373
Building	11,325	4,900	4,900	4,900	4,900	30,925
Calendar	-	-	-	-	3,981	3,981
Computers	1,861	3,501	2,531	483	1,568	9,944
Convention	75,257	-	16	533	530	76,336
Directory	-	-	-	-	1,775	1,775
Donations	10,000	-	-	-	-	10,000
Dues & Subscriptions	4,762	200	-	35	235	5,232
Environmental Stewardship	3,763	-	-	-	-	3,763
Feeder Council	1,743	-	-	-	-	1,743
Insurance	1,414	6,834	848	730	724	10,550
Junior Beef Expo	11,470	-	-	-	-	11,470
Legal	2,431	1,635	839	1,173	183	6,261
Legislative	690	-	-	-	-	690
Membership	13,333	-	-	-	-	13,333
Other	2,038	3,398	478	28	24,782	30,724
Postage	8,650	4,105	3,139	48	18,962	34,904
Printing	-	-	22,423	-	56,474	78,897
Retainers & Service Agreements	717	804	304	304	552	2,681
Special Projects	37,595	-	-	-	-	37,595
Spring Roundup	29,843	-	-	-	-	29,843
Sundry	169	225	11	-	-	405
Supplies	4,331	30,118	1,620	328	5,758	42,155
Telephone	1,353	12,215	1,105	2,351	533	17,557
Travel	8,894	153,877	3,953	6,786	4,386	177,896
Total Expenses Before Depreciation	348,226	1,861,229	139,059	140,450	260,538	2,749,502
Excess of Revenues Over (Under)						
Expenses Before Depreciation Expense	54,833	639,446	(51,318)	24,017	48,436	715,414
Less Depreciation Expense	(8,921)	(42,313)	(1,687)	-	(1,106)	(54,027)
Excess of Revenues Over (Under) Expenses	\$ 45,912	\$ 597,133	\$ (53,005)	\$ 24,017	\$ 47,330	\$ 661,387

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statement of Revenues and Expenses by Activity
For the Year Ended December 31, 2020

	Association	Brand Inspection	Brand Recording	Environmental	Magazine	Total
Revenues:						
Membership Dues	\$ 144,781	\$ -	\$ -	\$ -	\$ 22,545	\$ 167,326
Environmental Services - Administration	-	-	-	121,095	-	121,095
Environmental Services - BMP	-	-	-	464,573	-	464,573
Inspection Fees	-	1,950,568	-	-	-	1,950,568
Registered Feed Lots	-	9,449	-	-	-	9,449
Permanent Horse Permits	-	10,125	-	-	-	10,125
Other Fee Income	-	1,320	-	-	-	1,320
Advertising Income	-	-	-	-	194,374	194,374
Calendar	-	-	-	-	9,600	9,600
Directory	-	-	-	-	21,600	21,600
Convention	69,944	-	-	-	-	69,944
Ring Service	8,750	-	-	-	-	8,750
Special Projects	49,452	-	-	-	-	49,452
Environmental Stewardship	3,050	-	-	-	-	3,050
All Breeds Tour	11,050	-	-	-	-	11,050
Brand Renewal	-	-	468,350	-	-	468,350
New Brands	-	-	10,425	-	-	10,425
Transferred Brands	-	-	2,250	-	-	2,250
Brand Books	-	-	1,008	-	-	1,008
Donations	500	-	-	-	-	500
Other Income	8,819	4,520	4,405	-	2,484	20,228
Investment Income	23,133	7,719	-	-	-	30,852
Total Revenues	319,479	1,983,701	486,438	585,668	250,603	3,625,889
Expenses:						
Wages	65,761	1,318,495	86,659	71,697	98,440	1,641,052
Benefits	15,384	296,309	13,114	18,634	25,988	369,429
Total Wages & Benefits	81,145	1,614,804	99,773	90,331	124,428	2,010,481
Advertising & Promotion	12,615	6,796	1,845	3,973	60	25,289
All Breeds Tour	11,016	-	-	-	-	11,016
Audit	1,258	5,832	1,830	1,258	1,258	11,436
Awards	1,930	511	-	-	-	2,441
BMP & Engineering	-	-	-	474,938	-	474,938
Bank Fees	4,786	1,152	10	10	10	5,968
Board, Directors & Vice-President	4,632	2,151	496	496	496	8,271
Brand Board	-	1,518	169	-	-	1,687
Building	3,901	3,901	4,255	3,901	3,901	19,859
Calendar	-	-	-	-	3,625	3,625
Computers	1,058	2,395	4,193	299	1,119	9,064
Convention	51,577	-	-	-	-	51,577
Directory	-	-	-	-	9,422	9,422
Donations	5,000	-	-	-	-	5,000
Dues & Subscriptions	4,787	203	3	3	295	5,291
Environmental Stewardship	1,680	-	-	-	-	1,680
Feeder Council	2,198	-	-	-	-	2,198
Insurance	1,443	7,345	824	805	805	11,222
Junior Beef Expo	125	-	-	-	-	125
Legal	5,338	4,013	3,942	77	157	13,527
Legislative	735	-	-	-	-	735
Membership	11,436	-	-	-	-	11,436
Other	1,152	3,591	531	231	15,289	20,794
Postage	7,499	4,224	20,622	81	15,394	47,820
President	4,278	1,879	434	434	434	7,459
Printing	-	-	938	-	44,608	45,546
Retainers & Service Agreements	653	2,199	1,448	285	824	5,409
Seedstock Council	1,356	-	-	-	-	1,356
Special Projects	56,783	-	-	-	-	56,783
Spring Roundup	2,149	-	-	-	-	2,149
Sundry	128	98	-	-	-	226
Supplies	3,089	9,005	5,838	391	4,454	22,777
Telephone	1,432	12,643	1,133	2,437	536	18,181
Travel	6,967	118,511	764	5,445	1,210	132,897
Unrelated Business Income Tax	-	-	-	-	44	44
Total Expenses Before Depreciation	292,146	1,802,771	149,048	585,395	228,369	3,057,729
Excess of Revenues Over (Under)						
Expenses Before Depreciation Expense	27,333	180,930	337,390	273	22,234	568,160
Gain on Disposal of Asset	-	6,982	-	-	-	6,982
Less Depreciation Expense	(11,356)	(42,977)	(2,506)	-	(184)	(57,023)
Excess of Revenues Over (Under) Expenses	\$ 15,977	\$ 144,935	\$ 334,884	\$ 273	\$ 22,050	\$ 518,119

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Programs							General & Administrative	Total
	Association	Brand Inspection	Brand Recording	Environmental	Estray	Magazine	Programs		
Expenses:									
Wages & Benefits	\$ 58,115	\$ 1,623,579	\$ 93,919	\$ 91,430	\$ -	\$ 133,564	\$ 2,000,607	\$ 19,372	\$ 2,019,979
Advertising & Promotion	13,126	4,805	573	4,366	-	-	22,870	-	22,870
All Breeds Tour	15,305	-	-	-	-	-	15,305	-	15,305
Audit	-	6,320	1,959	1,347	-	1,347	10,973	1,417	12,390
Awards	1,133	814	-	-	-	-	1,947	-	1,947
BMP & Engineering	-	-	-	25,324	-	-	25,324	-	25,324
Bank Fees	-	1,536	44	24	-	24	1,628	5,691	7,319
Board, Directors & Vice-President	1,821	1,127	260	260	-	260	3,728	607	4,335
Brand Board	-	1,236	137	-	-	-	1,373	-	1,373
Building	-	4,900	4,900	4,900	-	4,900	19,600	11,325	30,925
Calendar	-	-	-	-	-	-	3,981	-	3,981
Computers	-	3,501	2,531	483	-	1,568	8,083	1,861	9,944
Convention	75,257	-	16	533	-	530	76,336	-	76,336
Depreciation	-	42,313	1,687	-	-	1,106	45,106	8,921	54,027
Directory	-	-	-	-	-	1,775	1,775	-	1,775
Donations	10,000	-	-	-	-	-	10,000	-	10,000
Dues & Subscriptions	4,762	200	-	35	-	235	5,232	-	5,232
Environmental Stewardship	3,763	-	-	-	-	-	3,763	-	3,763
Estray	-	-	-	-	261,892	-	261,892	-	261,892
Feeder Council	1,743	-	-	-	-	-	1,743	-	1,743
Insurance	-	6,834	848	730	-	724	9,136	1,414	10,550
Junior Beef Expo	11,470	-	-	-	-	-	11,470	-	11,470
Legal	-	1,635	839	1,173	-	183	3,830	2,431	6,261
Legislative	690	-	-	-	-	-	690	-	690
Membership	13,333	-	-	-	-	-	13,333	-	13,333
Other	1,019	3,398	478	28	-	24,782	29,705	1,019	30,724
Postage	5,622	4,105	3,139	48	-	18,962	31,876	3,028	34,904
Printing	-	-	22,423	-	-	56,474	78,897	-	78,897
Retainers & Service Agreements	-	804	304	304	-	552	1,964	717	2,681
Special Projects	37,595	-	-	-	-	-	37,595	-	37,595
Spring Roundup	29,843	-	-	-	-	-	29,843	-	29,843
Sundry	-	225	11	-	-	-	236	169	405
Supplies	650	30,118	1,620	328	-	5,758	38,474	3,681	42,155
Telephone	203	12,215	1,105	2,351	-	533	16,407	1,150	17,557
Travel	7,560	153,877	3,953	6,786	-	4,386	176,562	1,334	177,896
Total Expenses	\$ 293,010	\$ 1,903,542	\$ 140,746	\$ 140,450	\$ 261,892	\$ 261,644	\$ 3,001,284	\$ 64,137	\$ 3,065,421
						Less Estray			(261,892)
						Less Depreciation			(54,027)
						Equals Total Expenses page 5			\$ 2,749,502

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Programs							General & Administrative	Total
	Association	Brand Inspection	Brand Recording	Environmental	Estray	Magazine	Total Programs		
Expenses:									
Wages & Benefits	\$ 60,859	\$ 1,614,804	\$ 99,773	\$ 90,331	\$ -	\$ 124,428	\$ 1,990,195	\$ 20,286	\$ 2,010,481
Advertising & Promotion	12,615	6,796	1,845	3,973	-	60	25,289	-	25,289
All Breeds Tour	11,016	-	-	-	-	-	11,016	-	11,016
Audit	-	5,832	1,830	1,258	-	1,258	10,178	1,258	11,436
Awards	1,930	511	-	-	-	-	2,441	-	2,441
BMP & Engineering	-	-	-	474,938	-	-	474,938	-	474,938
Bank Fees	-	1,152	10	10	-	10	1,182	4,786	5,968
Board, Directors & Vice-President	3,474	2,151	496	496	-	496	7,113	1,158	8,271
Brand Board	-	1,518	169	-	-	-	1,687	-	1,687
Building	-	3,901	4,255	3,901	-	3,901	15,958	3,901	19,859
Calendar	-	-	-	-	-	3,625	3,625	-	3,625
Computers	-	2,395	4,193	299	-	1,119	8,006	1,058	9,064
Convention	51,577	-	-	-	-	-	51,577	-	51,577
Depreciation	-	42,977	2,506	-	-	184	45,667	11,356	57,023
Directory	-	-	-	-	-	9,422	9,422	-	9,422
Donations	5,000	-	-	-	-	-	5,000	-	5,000
Dues & Subscriptions	4,787	203	3	3	-	295	5,291	-	5,291
Environmental Stewardship	1,680	-	-	-	-	-	1,680	-	1,680
Estray	-	-	-	-	261,892	-	261,892	-	261,892
Feeder Council	2,198	-	-	-	-	-	2,198	-	2,198
Insurance	-	7,345	824	805	-	805	9,779	1,443	11,222
Junior Beef Expo	125	-	-	-	-	-	125	-	125
Legal	-	4,013	3,942	77	-	157	8,189	5,338	13,527
Legislative	735	-	-	-	-	-	735	-	735
Membership	11,436	-	-	-	-	-	11,436	-	11,436
Other	576	3,591	531	231	-	15,289	20,218	575	20,793
Postage	4,874	4,224	20,622	81	-	15,394	45,195	2,625	47,820
President	3,209	1,879	434	434	-	434	6,390	1,069	7,459
Printing	-	-	938	-	-	44,608	45,546	-	45,546
Retainers & Service Agreements	-	2,199	1,448	285	-	824	4,756	653	5,409
Seedstock Council	1,356	-	-	-	-	-	1,356	-	1,356
Special Projects	56,783	-	-	-	-	-	56,783	-	56,783
Spring Roundup	2,149	-	-	-	-	-	2,149	-	2,149
Sundry	-	98	-	-	-	-	98	128	226
Supplies	463	9,005	5,838	391	-	4,454	20,151	2,626	22,777
Telephone	215	12,643	1,133	2,437	-	536	16,964	1,217	18,181
Travel	5,923	118,511	764	5,445	-	1,210	131,853	1,045	132,898
Unrelated Business Income Tax	-	-	-	-	-	44	44	-	44
Total Expenses	\$ 242,980	\$ 1,845,748	\$ 151,554	\$ 585,395	\$ 261,892	\$ 228,553	\$ 3,316,122	\$ 60,522	\$ 3,376,644
						Less Estray			(261,892)
						Less Depreciation			(57,023)
						Equals Total Expenses page 5			\$ 3,057,729

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
North Dakota Stockmen's Association
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Dakota Stockmen's Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota Stockmen's Association internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Stockmen's Association internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Stockmen's Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as finding 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Stockmen's Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Dakota Stockmen's Association's Response to Findings

North Dakota Stockmen's Association's response to the finding identified in our audit is described in the accompanying schedule of findings. North Dakota Stockmen's Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Stockmen's Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
February 14, 2022

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Schedule of Findings
For the Year Ended December 31, 2021

Finding 2021-001: Segregation of Duties

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has complete control of the accounting software.

Condition – The organization has lack of segregation of duties in certain areas due to limited staff.

Cause – There are limited individuals to perform tasks due to the small size of the entity.

Effect – Inadequate segregation of duties could adversely affect the organization's ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation – Unless it is feasible to add additional staff, the most effective controls lie in the board's knowledge of matters relating to the organization's operations. Board members should periodically review documentation supporting individual transactions.

Management Response – The Association is aware of the condition and will add controls where feasible.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Responses to Legislative Audit and Fiscal Review Committee Audit Questions
December 31, 2021

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

1. *What type of opinion was issued on the financial statements?*

Unmodified.

2. *Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?*

Yes.

3. *Was internal control adequate and functioning effectively?*

Yes. The lack of proper segregation of duties due to the small office staff was noted as a control deficiency. This is not unusual in organizations of this size.

4. *Were there indications of lack of efficiency in financial operations and management of the agency?*

No.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

No action was required.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and management responses.*

No.

Audit Committee Communications:

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies.

No management conflicts of interest were noted.

No contingent liabilities were identified.

There were no significant or unusual transactions.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The North Dakota Stockmen's Association's financial statements do not include any significant accounting estimates.

3. *Identify any significant audit adjustments.*

Significant audit adjustments were not necessary.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

None.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

None.

This report is intended solely for the information and use of the Legislative Audit and Fiscal Review Committee, North Dakota Stockmen's Association, management, and other state officials and legislative committees and is not intended to be and should not be used by anyone other than these specified parties.

Board of Directors
North Dakota Stockmen's Association
Bismarck, North Dakota

We have audited the financial statements of the North Dakota Stockmen's Association for the year ended December 31, 2021, and have issued our report thereon dated February 14, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 10, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Stockmen's Association are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by North Dakota Stockmen's Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We believe that the accounting estimates used as of December 31, 2021, are reasonable in all material respects.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule of adjusting entries summarizes the adjustments and we considered the net effect of all the adjusting entries to be material to the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 14, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to this supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the governing board and management of North Dakota Stockmen's Association and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
February 14, 2022

North Dakota Stockmen's Association
Adjusting Journal Entries
December 31, 2021

Account	Description	Debit	Credit	Net Income Effect
1				
Allocate interest income for mutual funds to unrealized gain/loss				
398	Unrealized (Gain) Loss	\$ 21,137	\$ -	
350	Interest Income	-	21,137	
Total		21,137	21,137	\$ -
2				
Adjust Prepays				
176	Prepaid Ins & WC	997	-	
538	General - Insurance	2,260	-	
512	Employee Benefit - Workmen's Comp.	-	157	
490	Building - Insurance	-	3,100	
Total		3,257	3,257	997
3				
Reclass from asset to expense				
492	Building - Service & Maintenance	7,595	-	
185	Office Building	-	7,595	
Total		7,595	7,595	(7,595)
4				
Record depreciation expense				
620	Depreciation Expense	8,921	-	
621	Depreciation Exp - Brand Insp	42,313	-	
622	Depreciation Exp - Animal ID	1,687	-	
623	Depreciation Expense- Magazine	1,106	-	
186	Building Depreciation	-	3,268	
196	Vehicle Depreciation	-	39,556	
191	Furn., Fixt., Equip., Dep	-	11,203	
Total		54,027	54,027	(54,027)
5				
Entry to adjust fund balance for fixed assets				
250	Cur. Oper. Fund Balance	893,836	-	
280	Fix Asset Grp. Fd.	-	893,836	
Total		893,836	893,836	-
6				
Record current year accounts payable				
591	Estray	10,413	-	
249	Accounts Payable	-	10,413	
Total		10,413	10,413	(10,413)
7				
Reclass PPP Loan proceeds				
235	Unearned Income	337,144	-	
397	PPP Loan Funds	-	337,144	
Total		337,144	337,144	337,144
8				
Record disposition of asset				
196	Vehicle Depreciation	36,238	-	
195	Vehicles	-	36,238	
Total		36,238	36,238	-
GRAND TOTAL		\$ 1,363,647	\$ 1,363,647	\$ 266,106

NORTH DAKOTA STOCKMEN'S ASSOCIATION
407 SOUTH 2ND STREET
BISMARCK, NORTH DAKOTA 58504

February 14, 2022

Haga Kommer, Ltd.
Certified Public Accountants
204 East Main Street
Mandan, North Dakota 58554

This representation letter is provided in connection with your audits of the financial statements of the North Dakota Stockmen's Association, which comprise the statements of financial position as of December 31, 2021, and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm to the best of our knowledge and belief, as of February 14, 2022, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 10, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions were used in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the organization's accounts.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- We have disclosed to you the names of all of the Organization's related parties and all the related-party relationships and transactions, including any side agreements.
- The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- The North Dakota Stockmen's Association is an exempt organization under Section 501(c)(5) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- We acknowledge our responsibility for presenting the Statement of Revenues and Expenses by Activity for the Years Ended December 31, 2021 and 2020 in accordance with U.S. GAAP, and we believe the Statement of Revenues and Expenses by Activity for the Years Ended December 31, 2021 and 2020, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Statement of Revenues and Expenses by Activity for the Years Ended December 31, 2021 and 2020 have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

2-16-22

(Date Signed)

2-16-22


(Date Signed)

2-16-2022

(Date Signed)



President of the Board



Executive Vice-President



Administrative Assistant

- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
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(Date Signed)

2-16-22

(Date Signed)

President of the Board



Executive Vice-President

(Date Signed)

Administrative Assistant